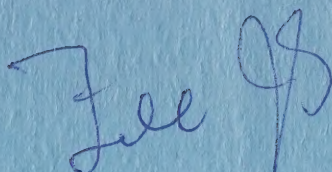


ANNUAL
REPORT

MARCON MINES LIMITED

(Incorporated under the Laws of the Province of Ontario)

EXECUTIVE OFFICERS:

K. A. DAVIS	- - - - -	President
J. DOUGLAS STREIT	- - - - -	Vice-President
J. L. NOBLE	- - - - -	Secretary-Treasurer

DIRECTORS:

K. A. DAVIS	- - - - -	Toronto, Ontario
J. D. LIARD	- - - - -	Toronto, Ontario
J. M. MACINTOSH, Q.C.	- - - - -	Toronto, Ontario
C. WILLIAM STREIT	- - - - -	Toronto, Ontario
J. DOUGLAS STREIT	- - - - -	Toronto, Ontario

REGISTRAR AND
TRANSFER AGENT:

GUARANTY TRUST COMPANY OF CANADA
Toronto, Ontario

HEAD OFFICE:

Suite 505, 80 Richmond St. W., Toronto, Ontario

For the Fiscal
Year Ended
December 31

1965

MARCON MINES LIMITED

Directors' Report

To the Shareholders:

This annual report of your company, including financial statements for the year ended December 31, 1965, is sent to you prior to an annual and special meeting where some important proposals will be presented to you.

At this meeting, you will be asked to approve a plan whereby the capital structure of the company would be reorganized on the basis of one new share for four old. Name of the company would also be changed, to Conmar Explorations Limited.

Subsequently, the new company would issue as a dividend the majority of its holdings of Vamp Lake Mines Limited at the rate of one Vamp Lake share for each two shares held in the new company.

Your directors then propose to make a rights offering on the basis of one share, at 40¢, of the capital stock, to be issued from the treasury, for each two shares of the reorganized company held. The offer will be in effect for a period of 30 days from the date of acceptance of a filing statement by the Toronto Stock Exchange. J. Bradley Streit and Company Ltd., on its own behalf and on behalf of a client, has agreed to guarantee the company a minimum of \$90,000 from the exercise of these rights.

Proceeds from the offering will enable the company to accelerate its exploration program on the Noranda area property. This property, a former gold producer, is now being considered for copper mineralization. The company's consulting geologist, Michael Ogden, has recommended some 2,500 feet of diamond drilling in order to establish the contact zone in the northern part of the claim group. Estimated cost of this initial work is \$14,000. It would be followed, if warranted, by a more extensive program of deep drilling.

An important asset to your company continues to be its control of the Vamp Lake property in Manitoba. This gold-silver-copper-zinc property appears to possess several zones which contain high grade deposits requiring underground exploration to assess for size, shape and attitude.

An advanced exploration program for the Vamp Lake property has been recommended. It is the hope of your directors that arrangements can soon be made to undertake this work.

Marcon holds other claims in good standing. These include a group in the Joutel area of Quebec, jointly held with Baska Uranium Mines Limited, also silver claims in the Cobalt area of northern Ontario and a three-claim property in Eldorado Township, also in northern Ontario.

On behalf of the board,

Toronto, Ontario,
July 6, 1966.

K. A. DAVIS,
President.

MARCON MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

Balance Sheet as at 31 December 1965

ASSETS

Current:

Cash in bank \$ 537.33

Investments:

Vamp Lake Mines Limited (See Note 1)

Shares (1,010,919) at cost \$ 87,887.85

Advances 23,432.74

111,320.59

Securities at nominal values 744.35 112,064.94

Other: (See Note 2)

Mining property interests at costs to date 122,473.00

\$235,075.27

LIABILITIES

Current:

Loan payable \$ 10,000.00

Accounts payable 2,994.93 \$ 12,994.93

Capital:

Authorized — 6,000,000 shares of \$1.00 par value

Issued and fully paid — 4,725,000 shares \$ 4,725,000.00

Less: Discount thereon 3,938,590.00

786,410.00

Deficit — per statement attached 564,329.66 222,080.34

\$235,075.27

Approved on behalf of the Board of Directors:

K. A. DAVIS, Director.

C. WILLIAM STREIT, Director.

Notes:

1. Vamp Lake Mines Limited, a subsidiary company, is a non-producing company whose only asset is mining claims, is not consolidated by reason of financing plans which would diminish the interest of the company therein.
2. Certain properties held under option agreements call for cash payments of \$8,000.00 and 200,000 shares of a company to be formed, all by January, 1967, and 300,000 shares of another company to be formed by October, 1970.
3. During the year 100,000 shares were issued for \$15,000.00 cash.

AUDITORS' REPORT

TO: The Shareholders of
Marcon Mines Limited.

We have examined the attached Balance Sheet of Marcon Mines Limited drawn up as at 31 December 1965 and the related Statements of Expenditures and Deficit for the year ended on that date. Our examination included a general review of accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the attached Balance Sheet and related Statements of Expenditures and Deficit present fairly the financial position of the company at 31 December 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
18 March 1966.

HALLADAY, ROBINSON & COMPANY,
Chartered Accountants.

MARCON MINES LIMITED

(Incorporated under the laws of the Province of Ontario)

Statement of Expenditures

FOR THE YEAR ENDED 31 DECEMBER 1965

Re: Vamp Lake Mines Limited:

Diamond drilling	\$12,812.04
Engineering	2,228.54
Management fee	2,200.00
Travel expense	1,649.83
Assays	1,163.38
Sundry field expense	802.42

20,856.21

Organization expense	2,467.92
Share certificates	108.61

23,432.74

Balance transferred to advance account	23,432.74
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Explorative:

Rouyn claims	\$ 314.55
Eldorado claims	234.50
Cobalt claims	459.40
Laurie River claims	835.75
Management fee	500.00

\$ 2,344.20

Administrative:

Secretarial and office	\$ 3,300.00
Shareholders information	791.29
Stock transfer agent	581.24
Telephone	455.75
Legal and audit	325.00
Sundry	274.17

5,727.45

Balance transferred to deficit account	\$ 8,071.65
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Statement of Deficit

FOR THE YEAR ENDED 31 DECEMBER 1965

Balance at 1 January 1965	\$176,707.35
Add: Deferred expenditures at 1 January 1965	367,076.24
Expenditures for year ended 31 December 1965	8,071.65
Advances written off	13,055.31

564,910.55

Deduct: Gain on investments	580.89
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Balance at 31 December 1965	\$564,329.66
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